

Bringing Medicare+Choice to rural America

ISSUE: Can the M+C program bring extra benefits to rural areas? Congress has been concerned about the lack of M+C plans (and the benefits that are seen to accompany them in some urban areas) in rural areas and has tried various payment changes such as floors and bonuses for entry to encourage M+C plans to serve rural counties. However, there are still few managed care M+C plans offered in rural areas and very little enrollment. A private fee-for-service M+C plan has increased the number of counties with an M+C plan available.

KEY POINTS: Many rural areas are not conducive to Medicare managed care plans because it is difficult to form networks there, population density is low, and there is no excessive use of traditional Medicare fee-for-service care. These characteristics mean that if M+C payments are made approximately equal to risk-adjusted fee-for-service spending, managed care plans will be unlikely to offer extra benefits because they will not be able to garner efficiency gains or discounts from providers. Even increasing payments to the new floor rate of \$475 per month will not likely overcome the non-payment barriers to managed care entry except in areas where these characteristics are less marked. However, the high floor rate has spurred the entry of a private fee-for-service plan into the program which has little enrollment thus far but may eventually be expensive for the Medicare program and not flow through many increased benefits to rural Medicare beneficiaries. Other options for rural areas such as cost-based, partial capitation, or split capitation plans do not seem very promising.

ACTION: No recommendations are made in this chapter. Commissioners agreed with the conclusions and story line of the chapter at the last meeting and should decide if any further analysis is needed in the current draft as well as recommend corrections for style and tone.

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